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SAN FRANCISCO

A Justice Department attorney admitted during a hearing before the 9th U.S. Circuit Court of Appeals Thursday that the CIA "had some connection" with a former Hawaiian investment counselor accused of fraud, perjury and tax evasion.

The accused man, Ronald Rewald, has blamed the CIA for the collapse of his firm, Bishop, Baldwin, Rewald, Dillingham and Wong. Rewald is scheduled to go on trial in Honolulu in March on 100 counts of fraud, perjury and tax evasion. The charges stem from the collapse of his investment firm and the loss of \$22 million of investors' money.

"Any role the government may have had is irrelevant to the issue in this case," Justice Department attorney Freddi Lipstein told the appeals court. "It is not relevant to the question, which is can this man (Rewald) pay his debts.

"The CIA acknowledges some small connection with Mr. Rewald. The agency paid Mr. Rewald about \$3,000 for the use of office services such as telephones."

Rewald is appealing a state court order which transferred his assets, which he claims are substantial, to trustees for the purpose of paying off investors in his bankrupt investment firm.

James A. Wagner, the attorney for the trustees, told the appeals court a private examination shows Rewald had misappropriated funds including \$500,000 to support his personal lifestyle.

Rewald's attorney, Robert A. Smith, told the three-judge panel the state court order cutting off his client from his money is an "invasion of his constitutional rights." As Rewald has done right along, Smith argued the investment firm in question wasn't bankrupt when shut down.

Meanwhile in Honolulu, a federal judge says some information about the CIA in this case is so sensitive it could weaken national security.

Disclosure of the information found in Rewald's office "could cause serious damage to the national security of the United States or could be used to the advantage of a foreign nation," said federal judge Harold Fong.

Earlier this week, Fong issued an order setting strict controls under which Rewald's defense attorney can see the documents. The documents include an affidavit from Rewald and the contents of six envelopes taken from his office. The court said the materials contain information classified up to the "Secret" level.

Rewald also will be tried by state officials. For now, they are content to delay trying him until the federal courts have had their shot.